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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003587

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SUBJECT: PREMIER SU TSENG-CHANG ON ARMS PROCUREMENT,
CONSTITUTIONAL REVISION, AND DOMESTIC POLITICS

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: In an October 18 meeting with Premier Su Tseng-chang, the Director underscored the need for Taiwan to

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enhance export controls following the North Korean nuclear test and the critical importance for Taiwan to approve a robust defense budget that includes arms procurement this fall. Su stressed the government's efforts to strengthen export controls and to pass the defense budget. Attributing problems in moving forward on arms procurement to a combination of opposition "excuses" and KMT Chairman Ma Ying-jeou's weak leadership, Su nonetheless expressed hope for progress on the issue. Su was highly critical of KMT Chairman and Taipei Mayor Ma Ying-jeou, his potential rival in the 2008 presidential election, characterizing Ma twice (in English) as having "no guts." The prosecutor's forthcoming report on the Presidential Office special fund will be key to future political developments, Su predicted. If the report clears President Chen, Shih Ming-te's anti-Chen movement will collapse, whereas a report very damaging to Chen would energize Shih's movement, especially if the President does not step down. Su reassured the Director that President Chen's recent reference to a "second republic" with respect to the Constitution was not a serious idea, just "a news item." End Summary.

12. (C) On October 18, the Director, accompanied by DDIR, briefed Premier Su on his recent consultations in Washington, underscoring the importance for Taiwan to strengthen export controls following the North Korean nuclear test and to approve a robust defense budget including arms procurement this fall. Su responded that both the government and ruling Democratic Progressive Party (DPP) had immediately condemned the North Korean nuclear test, and Taiwan was studying ways to enhance export controls and step up cooperation with the U.S. on the issue. The government will also seek quick passage by the Legislative Yuan (LY) of the draft law on regulating sensitive intangible technology exports.

Arms Procurement

13. (C) Su noted Kuomintang (KMT) Chairman Ma Ying-jeou's recent public statement that the LY should return to normal business and pass important bills, including on arms procurement. Regrettably, however, despite Ma's words, pan-Blue legislators again blocked the supplementary defense budget bill in the LY Procedure Committee on October 17, and therefore Ma was being widely criticized for saying one thing and doing another. Still, Su added, he hoped the supplementary budget bill could be passed quickly because of Ma's statement and support from the Ministry of National Defense and LY Speaker Wang Jin-pyng (KMT).

14. (C) People First Party (PFP) Chairman James Soong will not yield on his opposition to arms procurement, Su predicted. The question is whether Ma will finally stand up to Soong, who has just declared his candidacy for Taipei Mayor against Ma's wishes, or keep trying to appease him. The KMT has no reason to be concerned about the PFP and Soong, Su argued, but he feared Ma does not have the "guts" to stand up to Soong. The entire problem lies with the KMT, Su stressed, because it does not need any votes from the PFP in order to pass the arms procurement package, which the DPP strongly supports.

15. (C) The Director stressed to Su the importance of not giving the opposition any pretext to reject arms procurement. Su responded that it is the pan-Blue that had come up with excuse after excuse, first demanding that the government prepare the budget in a certain way and then rejecting the result after the government had accommodated the opposition's demands. Despite government efforts to be accommodating, the pan-Blue had come up with new reasons every time to reject arms procurement. Nonetheless, Su stressed, the government is committed to working to ensure quick and smooth passage of the arms procurement package. Agreeing with the Director's observation that this fall presents a key opportunity to move

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forward on the arms procurement issues, Su urged the Director to tell Ma Ying-jeou "to keep his word."

Shih Ming-te's Movement at a Crossroads

16. (C) The Shih Ming-te anti-Chen movement appears to be gradually petering out, Su observed, about as he had expected. Unless there is a major new development, the campaign will be unable to generate new momentum. Prosecutor Chen Rui-jen's report on President Chen will be key. If the report is very damaging to President Chen, that will mobilize the anti-Chen movement, and there could be political difficulties and conflicts if President Chen refused to step down in such a situation. Otherwise, the Shih movement will end, Su predicted, arguing that the Taiwan people believe in their legal system and will accept the results of a report that clears President Chen. Even if the pan-Blue claims the report is unfair and does not accept it, the Taiwan people are reasonable and will not support Shih Ming-te if, for example, he calls for new protest demonstrations against the Ministry of Justice.

Taipei and Kaohsiung Elections

17. (C) While the pan-Blue has used Shih Ming-te, Su observed, the person most damaged by his campaign is Ma Ying-jeou. The turmoil generated by the anti-Chen movement has unified the pan-Green and reduced support for pan-Blue candidates in both Taipei and Kaohsiung. In Kaohsiung the race is now very close. All along, the DPP has hoped to win in Kaohsiung, and now the situation is heading in a positive direction. Nonetheless, victory will be difficult and require hard work. Su said he and President Chen would both be campaigning in Kaohsiung.

James Soong and the Taipei Mayoral Race

¶18. (C) James Soong is hoping to capitalize on his prominent role in the Shih movement, coupled with Ma's weak performance. He hopes to seize leadership of the Deep Blue. That is why he opposes arms procurement, promotes recall and no confidence motions, and in Taipei is running against KMT candidate Hau Long-bin, who some believe is tainted by previous service in the DPP government. Despite such efforts, Su predicted that Soong has no hope to win in Taipei. Because Soong will not win many votes, DPP candidate Frank Hsieh's chances are also low, Su observed, adding that Hau Long-bin remains far ahead of all other candidates in public opinion polls.

Pivotal Roles of Lee Teng-hui and Wang Jin-pyng

¶19. (C) Su noted he had recently paid a call on former President Lee Teng-hui, meeting for over two hours, during which Lee, who has very broad knowledge, did all the talking. Lee had stressed over and over how delighted he was with Su's visit and had offered his encouragement to the Premier. According to Su, Lee can play a key pivotal role in Taiwan politics when pan-Green and pan-Blue forces are about evenly divided, capitalizing on his position as "spiritual leader" of the Taiwan Solidarity Union (TSU).

¶10. (C) Wang Jin-pyng, who controls the Non-Partisan Solidarity Union legislators, also plays a key pivotal role in close political contests, Su observed. Although his relations with Ma Ying-jeou are "very bad," Wang plays to all sides in Taiwan politics, and therefore everyone seeks him out. While Wang on his own does not have enough influence to push a major decision such as arms procurement against the wishes of his party, he can be helpful at key points when willing to do so.

No Agreement on Meeting with Ma Ying-jeou

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¶11. (C) Asked about earlier proposals for a meeting with Ma, Su said he was not interested in meeting one-on-one as Ma wanted. His own proposal, Su noted, had been to meet together with leaders of all five parties plus Wang Jin-pyng. Ma, however, didn't want a meeting that would include Wang Jin-pyng and James Soong. Because Ma had been damaged politically as a result of the turmoil resulting from his agreement for 24-hour anti-Chen protests, he was hoping to use a meeting with the Premier to recoup his standing, Su suggested. There had been no further developments on this idea after Ma decided to push forward with the second recall motion against President Chen.

No "No Confidence" Vote

¶12. (C) In rejecting pressure from James Soong to call a no confidence vote against the Premier, KMT legislators were simply calculating their own individual political interests, Su observed. A no confidence could lead to a snap election that would cost up to two-thirds of the legislators their seats, he explained. On the no confidence vote decision, Ma Ying-jeou again showed that he is "useless" and has "no guts," Su suggested. If Ma had guts, he would have forced the KMT legislators to support a no confidence and an early election.

Constitutional Revision

¶13. (C) The Director told Su that President Chen's repeated raising of constitutional revision was making Washington nervous. Su assured the Director that Chen's recent

reference to a "second republic" was just a "news item," explaining that Chen had simply mentioned at the 80th birthday party for pro-independence elder Koo Kwang-ming that Koo had proposed such an idea. In fact, Su stressed, few people in Taiwan understood what "second republic" meant. According to Su, the DPP's LY caucus, which is generally opposed to touching sovereignty issues, will be discussing the constitution revision proposal before the DPP's Central Executive Committee again takes up the constitution next month. Su acknowledged that what the President, Premier, and ruling DPP said on the constitution was important. Su recalled that he had told a recent DPP meeting that the constitution was a big issue and not just a domestic matter. It involved Taiwan's relations with its friends and affected U.S.-Taiwan and cross-Straits relations. All of these issues needed to be considered when talking about constitutional revision, Su had stressed to the DPP meeting.

Comment

¶14. (C) Operating in a difficult political environment, Su is a pragmatic and effective leader, who commands wide respect and has a reputation for integrity. Though lacking Ma's polish, he has deep grassroots appeal within Taiwanese society and could be a strong contender for the presidency in ¶2008. His analysis of domestic politics, including upcoming mayoral elections, Shih Ming-te's movement and pan-Blue leadership, is consistent with what we are hearing from other sources. Despite some continued Blue-Green bickering on arms procurement, we see possibilities for progress and will continue to push all sides to conclude the deal during this fall's legislative session. While Su's comments on Constitutional revision are somewhat reassuring, this is an issue AIT intends to monitor very closely as long as Chen is President.
YOUNG